

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01
IO-13 /107 W

-----131011Z 051359 /15

R 130835Z APR 77

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 903

UNCLAS ISLAMABAD 3573

E.O. 11652: N/A

TAGS: ETTD, PK

SUBJ: GSP: FIRST YEAR REVIEW

REF: STATE 67507

SUMMARY : AN INFORMAL REVIEW OF QUESTIONS ASKED INREFTEL WITH GOP MINISTRY OF COMMERCE INDICATES THAT THE GOP HAS MADE ONLY LIMITED ANALYSIS OF EXPORTS UNDER US GSP IN ITS FIRST YEAR OF OPERATION. GOP OFFICIALS ARE REASONABLY SATISFIED WITH THE US SYSTEM BUT HAVE MADE NO SPECIAL EFFORT TO ENCOURAGE PAKISTANI EXPORTERS TO TAKE ADVANTAGE OF IT. THE GOP HAS JUST ASSIGNED A SMALL GROUP TO LOOK INTO NON-TRADITIONAL PRODUCTS WHICH MIGHT NOW BE EXPORTED TO THE US UNDER GSP. IT IS BELIVED THAT NON-USE OF GSP IN ELIGIBLE CATEGORIES WAS THE RESULT OF NEGLIGENCE AND LACK OF KNOWLEDGE OF THE SYSTEM RATHER THAN ANY FAULT OR DIFFICULTY WITH THE US GSP SYSTEM. THE GOP'S MAIN COMPLAINT REMAINS THE LACK OF COVERAGE UNDER GSP FOR HAND-KNOTTED CARPETS. END SUMMARY.

1. EMBOFF DISCUSSED QUESTIONS POSED IN REFTEL WITH BOTH MONISTRY OF COMMERCE JOINT SECRETARY FOR EXPORTS
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AND DEPUTY SECRETARY FOR INTERNATIONAL TRADE ORGANIZATIONS. THEY AGREED THAT FROMA GOVERNMENT ADMINISTRATOR'S POINT OF VIEW THE US SYSTEM IS MUCH PREFERRED TO THAT OF THE EEC. THE US SYSTEM MAKES IT CLEAR ABOUT WHAT QUALIFIES AND ABOUT VARIOUS GSP CUT-OFFS. THE EEC SYSTEM WITH ITS QUOTA CATEGORIES REQUIRES CONSTANT MONITORING BY PAKISTAN OFFICIALS. THE US SYSTEM IS

SOMEWHAT IRRITATING IN THAT THE GSP CUT-OFF IS APPLIED EVEN TO INSIGNIFICANT ITEMS WHICH WILL ALTERNATE YEARLY IN A PARTICULAR COUNTRY BETWEEN QUALIFYING FOR GSP AND BEING INELIGIBLE.

2. NEITHER THE MINISTRY OF COMMERCE OFFICIALS NOR THE EMBASSY HAS BEEN ABLE TO IDENTIFY ANY SIGNIFICANT SWING IN PAKISTAN EXPORTS TO THE US AS A RESULT OF GSP. THERE HAVE BEEN NO SPECIFIC CAMPAIGNS IN THIS COUNTRY TO ENCOURAGE PAKISTANI PRODUCERS TO CHANGE THEIR EXPORT MIX AS A RESULT OF GSP. ONLY IN THE PAST FEW WEEKS HAS THE MINISTRY OF COMMERCE ASSIGNED A SMALL TEAM TO REVIEW THE GSP LIST TO DETERMINE WHAT IF ANY NEW PRODUCTS MIGHT BE EXPORTED TO THE US. WITH THE RATHER CONTINUOUS LONG LISTS OF ITEMS BEING CONSIDERED BY THE ITC FOR ADDITION TO OR EXCLUSION FROM GSP, THE GOP IS NOT CONVINCED THAT IT CAN ENCOURAGE ITS INDUSTRY TO MAKE EXPENSIVE CHANGES IN ITS PRODUCTION SIMPLY ON THE BASIS OF US GSP.

3. THE MINISTRY OFFICIALS WERE NOT AWARE OF ANY SIGNIFICANT PROBLEMS WHICH HAD LED TO NON-USE OF GSP IN THE ELIGIBLE CATEGORIES. THE SINGLE COMPLAINT RECEIVED RECENTLY IN THIS CATEGORY HAD BEEN THAT AN EXPORTER HAD VALUED ITEMS UNDER THE EEC GSP SYSTEM WITH WHICH HE WAS FAMILIAR AND THEREFORE DID NOT QUALIFY FOR US GSP. THE STATISTICS FURNISHED IN CONJUNCTION WITH REFTEL INDICATE ONLY 3 GSP ELIGIBLE CATEGORIES WHERE SIGNIFICANT AMOUNTS OF TRADE TOOK PLACE WHICH DID NOT BENEFIT FROM GSP. TRADE IN ALL 3 OF THESE CATEGORIES

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ARE HANDLED BY VERY SMALL FIRMS WITH LONG-TERM TIES TO AMERICAN BUYERS. COMMERCE OFFICIALS AND EMBASSY THEREFORE SPECULATE THAT THESE SMALL SUPPLIERS SIMPLY CONTINUED TO SHIP ITEMS IN THE SAME MANNER TO WHICH THEY WERE ACCUSTOMED WITHOUT KNOWLEDGE OF OR CONCERN FOR GSP.

4. REQUEST. MINISTRY OF COMMERCE OFFICIALS AGAIN QUERIED EMBASSY ABOUT GSP TREATMENT FOR HAND-KNOTTED PAKISTANI CARPETS. THE EMBASSY HAS RAISED THIS QUESTION ON SEVERAL OCCASIONS WITH THE DEPARTMENT AND HAS RECEIVED EITHER NO REPLY OR AN INDICATION THAT THE PROBLEM IS UNDER GENERAL STUDY. IF THE DEPARTMENT CAN PROVIDE ANY INFORMATION ON THIS SUBJECT WHICH WE CAN SHARE WITH THE GOP IT WOULD BE GREATLY APPRECIATED AS IT BECOMES INCREASINGLY EMBARRASSING TO APPROACH GOP OFFICIALS WITH QUESTIONS ON GSP, MTN AND OTHER IMPORTANT TRADE MATTERS WHEN WE MUST ADMIT THAT WE HAVE RECEIVED NO RESPONSE TO OUR INQUIRIES REGARDING CARPETS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ISLAMA03573
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770127-1154
Format: TEL
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770463/aaaaccaq.tel
Line Count: 117
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8a5f35a6-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 67507
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2823874
Secure: OPEN
Status: NATIVE
Subject: GSP: FIRST YEAR REVIEW
TAGS: ETRD, PK
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8a5f35a6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009